

City of Chelsea

Assessing Department

Results of Fiscal Year 2011 Valuation Project Tuesday, November 23, 2010



The Tax Rate Process

Market Value of All Chelsea Property



State Aid



City Budget



Tax Rate Recap

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE
TAX RATE RECAPITULATION
OF
CHELSEA
FISCAL 2022

1. TAX RATE SUMMARY

(a) Total amount to be raised (Line 10)
(b) Total amount to be raised and other revenue sources (Line 10a)
(c) Tax Levy (Line 10b)
(d) Distribution of Tax Levy and Sources

CLASS	(b) Levy percentage (Line 10b / 1)	(c) 17 share factor with personal in cell (b)	(d) Valuation by class (Line 10b / 17)	(e) Tax Rate (100 / 17 x 1000)	(f) Levy by class (d x e / 1000)
Personal	40.4208%	1.2020-0-17.01	1,200,000,000	8.33	11,300,000.00
Exempt			1,100,000,000	8.33	11,300,000.00
Open Space	0.0000%	0.00	0	0	0.00
Commercial	33.1047%	1.801-0-00.00	300,000,000	22.41	7,000,000.00
Exempt					
Industrial	12.8000%	0.100-0-12.00	142,700,000	22.41	3,200,000.00
SUBTOTAL	86.3255%		1,776,000,000		21,500,000.00
Personal	4.1723%	1.070-0-11.00	47,700,000	22.41	1,070,000.00
TOTAL	100.0000%		1,823,700,000		22,570,000.00

Board of Assessors of CHELSEA
City or Town _____ Date _____ Tax No. _____

Do Not Write Below This Line -- If for Department of Revenue Use Only

Prop 2/1/2
Limitations

Classification:
Tax Shift
Res. Exemption

Why Did Chelsea Have a Valuation Update for FY 2011?

- Pursuant to state statute, the City of Chelsea completed an revaluation update of all property for fiscal year 2011.
- This valuation update was mandatory. We had no choice. Without the DOR's approval, we would not be allowed to set a tax rate.
- Starting in FY 2005 the DOR required that all municipalities bring assessments to market level standards on an annual basis.
- Massachusetts law requires that the Department of Revenue “certify” that values are at the required “full and fair cash value” level once every 3 years (2007, 2010, 2013)

What Are the Standards for Revaluation Programs?

- Assessors are required to value property at “Full and Fair Cash Value”, often called “Fair Market Value”.
- Massachusetts General Laws defines full and fair cash value as the price an owner willing, but not under compulsion, to sell, ought to receive from a buyer willing but not under compulsion to buy.
- For residential properties, Fair Market value is measured by the analysis of properties that have actually sold in the community.
- Normally, we use sales that took place in the calendar year before the assessment date (For FY 2011, that would have been calendar year 2009). However, in 2009, foreclosure related transactions dominated the market, leaving too small a sample for us to use in our market analysis. Accordingly, except for condominiums, we used sales that took place between January 1, 2008, and December 31, 2009.

What Has Happened to the Residential Market in Chelsea Over the Past Several Years?

Use	Median 2005 Selling Price	% Change 2004 to 2005	Median 2006 Selling Price	% Change 2005 to 2006	Median 2007 Price	% Change 2006 to 2007	Median 2008 Price	% Change 2007 to 2008	Median 2009 price	% Change 2008-2009
1 Family	\$ 306,000	-2.9%	\$ 305,000	-0.3%	\$ 289,000	-5.2%	\$ 230,500	-20.2%	\$ 210,000	-8.9%
Condo	\$ 236,000	0.9%	\$ 240,000	1.7%	\$ 217,000	-9.6%	\$ 175,000	-19.4%	\$ 210,000	20.0%
2 Family	\$ 445,000	10.1%	\$ 435,000	-2.2%	\$ 389,000	-10.6%	\$ 274,500	-29.4%	\$ 241,000	-12.2%
3 Family	\$ 500,000	11.7%	\$ 455,000	-9.0%	\$ 440,000	-3.3%	\$ 265,000	-39.8%	\$ 258,000	-2.6%

Note: for purposes of this study, we have assumed that sales of foreclosed properties from financial institutions to individual buyers are not considered “arms-length” transactions.

How do we analyze sales that may be as many as two years old?

- In an changing market, assessors have to decide whether to “average” the sales used in the valuation analysis, or use time factors to adjust the selling prices to a common date (January 1, 2010). Whichever method is used, the results must meet the D.O.R’s valuation guidelines. After considerable analysis, it was decided that the averaging of sales rather than time adjustment would produce a better, more stable assessment program for FY 2011.

Before and After

The Following Table Summarizes the Level of Assessment Compared to Fair Market Value Before and After the Revaluation

Class	Assessment Level Before Revaluation	Assessment Level After Revaluation (time adjusted)
Single Family	96.0%	98.0%
Condos (1 year)	98.0%	99.0%
Two Family	99.0%	97.0%
Three Family	97.0%	98.0%

How Did We Re-value Residential Properties?

- **The revaluation of one family, two family, three family, and condominium properties (4,829 parcels, or 78% of the total) was conducted by the Chelsea Assessing Department.**
- **Approx. 200 sales were reviewed and analyzed to form the basis of new valuation tables.**
- **Analysis and calibration of the valuation tables was conducted using such variables as condo complex, neighborhood, usage code, building style, price range, sale date, etc.**
- **Extensive fine tuning was conducted using property photographs stored on Chelsea's "Vision" software, and by field review by assessing staff.**

How Did We Re-value Commercial, Industrial and Large Apartment Properties?

- **The City employed an outside consultant to assist in valuing C&I and large apartment properties for the 2011 revaluation.**
- **The Assessing Department mailed approx. 1,200 requests for income and expense data (800 original, and 400 “reminders”, and received about 150 usable returns)**
- **For the 2011 revaluation program, our consultant:**
 - **Reviewed recent sales of commercial & industrial property in Chelsea**
 - **Reviewed and analyzed rental and expense data received from Chelsea property owners**
 - **Developed new valuation tables and guidelines used in the valuation of these properties**
 - **Where appropriate, used the Income Capitalization valuation method to appraise these properties**

How Did We Re-Value Personal Property?

- The City employed an outside consultant, RRC Company, to update` business personal property for the 2011 revaluation;
- Personal property new growth of approx. \$12.1 million was captured;
- Personal Property is defined as assets that are not fixed permanently to realty. Property like equipment, machinery, inventory, etc., are examples of personal property. The taxable status of individual items of personal property is based on the form of ownership, as established by Massachusetts law.

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2010 Assessed Value	2011 Assessed Value	Change
\$ 85,041,000	\$ 92,734,520	9.0%

How Much Have Property Values Changed?

The Following Table Summarizes the Median Changes in Assessed Values:

Description	% Change FY10 to FY11
Single Family	0.0%
Condominium	-1.7%
Two Family	-1.5%
Three Family	0.0%
4-8 Family	-4.7%
9+ Family	-6.0%
Commercial	-4.3%
Industrial	0.0%

What Is Our Recent Tax Rate History?

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011 (est)
Residential	\$ 10.04	\$ 9.28	\$ 9.54	\$ 9.62	\$ 9.33	\$ 9.95	\$ 10.80	\$ 12.09	\$ 12.92
Commercial	\$ 22.41	\$ 20.72	\$ 20.60	\$ 19.98	\$ 19.54	\$ 20.76	\$ 23.96	\$ 29.00	\$ 30.60
Industrial	\$ 22.41	\$ 20.72	\$ 20.60	\$ 19.98	\$ 19.54	\$ 20.76	\$ 23.96	\$ 29.00	\$ 30.60
Personal Property	\$ 22.41	\$ 20.72	\$ 20.60	\$ 19.98	\$ 19.54	\$ 20.76	\$ 23.96	\$ 29.00	\$ 30.60
Res Exemption	\$ 539.26	\$ 565.39	\$ 608.44	\$ 661.62	\$ 680.16	\$ 708.81	\$ 662.80	\$ 606.69	\$ 660.00

What Is the Bottom Line for FY2010?

- Using the “estimated” tax rates, and assuming Council adopts the maximum tax shift and residential exemption, the “median” tax bill changes for the full fiscal year have been calculated. (Note: the changes will appear “doubled” in the 3rd and 4th quarter bills)

Class	Estimate of Tax Bill Change
Single Family	4.1%
Condominium	4.1%
Two Family	4.5%
Three Family	6.2%
Commercial	1.4%
Industrial	1.9%

Tax Savings to Homeowners Resulting from Council Action

Category	Parcel Count	Median Assessed Value	Tax Bill without Council Action	Tax Bill with Maximum Shift & Residential Exemption	Tax Savings to Homeowners
One Family	846	\$211,500	\$3,699	\$2,070	\$1,629
Condominium	1,811	\$172,200	\$3,012	\$1,563	\$1,448
Two Family	1,200	\$240,600	\$4,208	\$2,446	\$1,762
Three Family	946	\$256,900	\$4,493	\$2,656	\$1,837

Market Update

- **As required, Chelsea used calendar year 2008-2009 sales in this valuation program. To see where we are today, we reviewed 124 arms-length residential sales that took place between January and September, 2009 (without time Adjustment). The following table summarizes this study:**



Category	Median Assessment Level	Sample Size
Overall	98%	124
Single Family	94%	15
Condo	102%	63
Two + Three Family	92	46

What Happens Next?

- **On December 6, the annual Tax Rate Classification hearing is scheduled. At that meeting, the City Council will determine 2 items:**
 - 1. The percentage of the tax burden that will be shifted from the residential properties to the commercial, industrial, and personal property classes. The maximum shift is set by state law, and has been adopted by Council in past years.**
 - 2. The amount of the residential exemption. The residential exemption works to shift the tax burden only in the residential classes, by reducing the tax bill of the resident owner at the expense of the non resident owner.**